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Company Profile

Our Vision

Worldwide Networks

North America

Europe, M East & Africa

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Careers

Worldwide Networks

North America

Headquartered in Boca Raton, Florida, Airspan has over 200 employees serving customers in more than 95 countries around the world. In the Americas we serve from Canada to the southern tip of South America, including the Caribbean. Our North America region, established in 2000, has sales and marketing offices in Colorado, North Carolina and Florida. Since its introduction into the North American market, Airspan Networks has greatly increased its presence, establishing a powerful go-to-market strategy via distribution channels to provide services and support to our 48 in-service networks and to aggressively pursue our targeted market. We expect our customers to have over 20,000 subscribers in service on Airspan-provided links by the end of 2005.

In February 2005 Airspan Networks became an approved provider of wireless access equipment under the USDA Rural Utilities Services (RUS) Telecommunications program. That program was established by the US Government to support the rural regions in the United States that have difficulty in obtaining broadband data telecommunications connections and to close the digital divide gap. With our recent listing under RUS together with our new WiMAX product platform, Airspan will significantly increase its presence in the region.

Jimmy Jackson

From: Jimmy Jackson
Sent: Monday, August 22, 2005 9:38 AM
To: 'Jess'
Subject: information
Attachments: jess.doc

Jess-

Attached is the information that I have been able to pull together. I will forward any additional information that becomes available this morning.

Jimmy

8/23/2005

Jess:

We have done our best to gather the information that you requested. Due to other commitments, we really only had Friday afternoon and the weekend to prepare our responses.

Q. Could you please provide information regarding space and power arrangements GCI has in each of the communities it proposed to serve?

One fact that is relevant to this, and several other questions, is that GCI, through GCI Cable, already has at least one customer service office, as well other facilities, in every service area where we propose to provide local service.

In Palmer/Wasilla, Sitka, Bethel, and Seward, GCI expects to locate facilities in existing GCI buildings. In Kenai/Soldotna, Ketchikan, Kodiak, Homer, Valdez, Nome, Petersburg, and Cordova a new building is required and will likely be constructed on existing GCI property. After certification is obtained, GCI will negotiate with each ILEC to determine if collocation can be obtained and, if not, GCI will lease or purchase property for its equipment, as necessary in each locality.

Q. Has GCI made arrangements, if necessary, regarding where its towers or equipment will be installed, particularly if the area is not owned by GCI?

A. We have not yet made arrangement for towers. Where possible, we would seek to use existing towers we may own, or share existing tower facilities with other carriers.

Q. GCI provided several vendors of switches that it will use to provide service. However, could you provide specific information what switches GCI will use for each of the proposed service areas.

A. GCI often uses a "back and forth" bidding process with vendors for equipment acquisition. Using this process, GCI negotiates with multiple vendors simultaneously, seeing if each can beat the other on price, technical abilities, and quality. GCI is in the final stages of just such a process for selection of the switches that will be used in the new service locations. The three vendors with whom GCI is negotiating are Metaswitch (models 2510 and 3510), Tekelec (Models 6000 and 7000) and Lucent (Models LCS and FS 3000)

Q. The schematic diagram shows that GCI will provision SS7 in all the proposed service areas. Please provide the projected cost for provisioning of SS7. Also, please provide additional specifics regarding the provision of SS7, like would all features be available in all proposed areas?

A. Each of the switches that GCI is considering has SS7 capability, but the price of SS7 is bundled into the total switch cost, not broken out as a separate cost element. Current estimates for other costs are \$528,150 capital and \$115,688.20 monthly recurring costs. These estimates were made using standard, current methodologies and technologies, and GCI believes more efficient methods may be available in actual deployment. As to the features that will be available on GCI facilities, GCI intends to provide full featured service in all locations.

Q. Please clarify whether GCI will have local presence in each of the areas where it will provide service through HFC and WLL? Would its technical staff provide immediate service in all these locations?

A. As noted above, GCI already has a local presence in every proposed service area. The presence includes both customer service personnel and technical staff for the cable system. The existing presence will be expanded, as necessary, and supplemented by other systems as discussed below regarding the "service and safety standards." A complete listing of all existing customer service locations is also set out in that discussion.

Q. Provide more information how GCI will comply with the STMP and quality of service standards. In addition, please provide additional information to support reliability of the proposed cable telephony system.

A. GCI provides the following information regarding each of the referenced regulations, as supplemented by our follow-up email.

3 AAC 52.210.Business office

- (a) GCI has retail office facilities throughout Alaska. Locations and hours of operation are as follows (Jess, this information includes areas not relevant to the application, such as Anchorage, but I was not able to edit the information without creating a worse mess!)

Anchorage GCI Stores:

1901 Abbott Road
Anchorage, Alaska 99502
8:30AM to 7:00PM M-F
10:00AM - 4:00PM Saturday

2800 C. St
Anchorage, Alaska
99503
8:30AM to 7:00PM M-F
10:00AM - 4:00PM
Saturday

360 Boniface Parkway
Anchorage, Alaska 99504
8:30AM to 5:30PM M-F

Anchorage 5th Ave. Mall
Anchorage, Alaska
10:00AM - 9:00PM M-F
10:00AM - 8:00PM Saturday

Dimond Center
Mall
Anchorage,
Alaska
10:00AM - 9:00PM M-F
10:00AM - 6:00PM
Saturday

11:00AM - 6:00PM Sunday

Barrow GCI Store:

PO Box 489
1230 Agvik Street, First Floor
Barrow, Alaska 99723
852-5511
8:30AM - 5:00PM M-F
Closed from Noon - 1pm

Eagle River GCI Store:

13221 Old Glenn Hwy
Eagle River, Alaska 99577
10am to 7pm M-F
10am to 5pm Saturday

Eielson AFB GCI Store:

2539 Central Avenue/Next to Alaska USA
Federal Credit Union
Eielson AFB
372-4169 or 1-800-800-4800
9:00AM - 3:00PM M-R
10:00AM - 3:00PM F

Kenai/Soldotna GCI Store:

189 South Binkley Street, Suite #101
Soldotna, Alaska 99669
262-3266
9:00AM - 5:00PM M-F

Kotzebue GCI Store:

PO BOX 750
606 Bison Street
Kotzebue, Alaska 99752
442-2620
442-3732 FAX

12:00AM - 6:00PM
Sunday

Bethel GCI Store:

PO Box 247
210 3rd Street
Bethel, Alaska
99559
543-3226
9:00AM -
4:30PM M-F

Fairbanks GCI Store:

505 Old Steese Highway, Suite #101
Fairbanks, Alaska 99701
452-7191
9:00AM -
5:30PM M-F
After 5:30 and weekends, 24 hour answering service
1-800-800-4800
7:30AM - 7:30PM M - F
9:00AM - 7:00PM
Saturday

Homer GCI Store:

397 East Pioneer
Avenue, Suite #3
Homer, Alaska
99603
235-6366
235-6625 FAX
8:00AM -
5:00PM M-F

Ketchikan GCI Store:

2421 Tongass, Suite 104
Ketchikan, Alaska 99901
225-2191
225-4943 FAX
7:30AM -
5:00PM M-F

Nome GCI Store:

110 Front Street, Suite
103
Nome, Alaska
99762
443-2550
8:00AM -
5:00PM M-F

Cordova GCI Store:

PO Box 791
202 Nicholoff Way
Cordova, Alaska 99574
424-7317
424-5138 FAX
8:00AM - 5:00PM M-F

Juneau GCI Store:

3161 Channel Drive, Suite
#1
Juneau, Alaska 99801
586-3320
9:00AM - 5:00PM M-F
8:00AM - 4:00PM
Saturday

Kodiak GCI Store:

2011 Mill Bay Road
Kodiak, Alaska 99615
486-3334
486-5160
8:00AM - 5:00PM M-F

Petersburg GCI Store:

914 South Nordic Drive
Petersburg, Alaska 99833
772-3292
10:00AM - 4:00PM M-F

8:00AM - 5:00PM M-F

Seward GCI Store:

300 4th Avenue

Seward, Alaska 99664

224-8912

8:00AM - 5:00PM M-F

Sitka GCI Store:

208-A Lake Street

Sitka, Alaska

99835

747-

3535

8:00AM -

5:00PM M-F

Soldotna GCI Store:

189 South Binkley Street,
Suite #101

Soldotna, Alaska 99669

262-3266

9:00AM - 5:00PM M-F

Valdez GCI Store:

104 Harbor Court Building

Valdez, Alaska 99686

835-4930

8:00AM - 5:00PM M-F

Wasilla GCI Store:

501 Main Street

Wasilla, Alaska 99654

1-800-800-

4800

9:00AM -

6:00PM M-F

10:00AM - 4:00PM

Saturday

Wrangell GCI Store:

325 Front Street

Wrangell, Alaska

874-2392

10:00AM - 4:00PM M-F

Additionally GCI maintains statewide customer service via toll free telephone as follows:

Residential customer service: Between the hours of 7:30 a.m. to 7:30 p.m. Monday through Friday and 8:30 a.m. to 7 p.m. on Saturdays.

Business customer service: Between the hours of 8 a.m. to 6 p.m. Monday through Friday.

GCI will make a reasonable effort to advise customers of the most economic service available and assist customers in making choices for service.

(b) GCI has established rates and customers will be notified in advance by GCI customer service agents. If line extension is required we will follow our line extension tariff.

(c) GCI has established the following toll free customer service access:
1-800-800-4300 (Residential customer service)
1-800-800-7754 (Business customer service)

(d) GCI staffs customer service locations throughout the state and will respond to customers through its agents.

3 AAC 52.260. Engineering and maintenance

(a) The specific standards are somewhat obsolete, as most of the organizations/publications listed have long since been merged in other organizations, broken apart into separate organizations, or at least renamed. GCI is compliant with current comparable standards, and adheres to Telcordia standards, which are, in part, the successor documents to the Bell System Practices.

(b) GCI presently complies with this practice, and will continue to do so.

(c) GCI designs and operates its network to these standards presently, and will continue to do so.

(d) This requirement is written to apply primarily to copper loops leased from an ILEC. It would be up to them to police the conformity of those lines to technical criteria. GCI HFC loops meet comparable requirements.

(e) GCI designs its facilities in compliance with the requirements of the STMP. This is addressed in detail elsewhere.

(f) GCI performs maintenance routines and tests on all major network components, and maintains records of these routines.

(g) GCI maintains a vast array of test and monitor equipment throughout its network. Even remote, unmanned facilities are constantly monitored.

(h) All GCI switching systems have access to standard "milliwatt," quiet termination, and loop-around test lines.

(i) All GCI switching systems provide Automatic Number Identification (ANI).

(j) GCI maintains equipment assignment records through the Metasolv system. To the degree GCI leases copper cables from ILECs, it has records correlating telephone numbers to cable pair numbers. GCI maintains office equipment drawings and trunking diagrams. GCI also has outside plant (COAX, fiber, and some copper cable) layout drawings.

(k) GCI's subscriber billing records are maintained electronically in its CBS, Kenan, and Private Line Billing systems in good working order.

(l) GCI's subscriber long distance billing records are generated automatically in its digital switching systems in standard AMA format, and stored on disk for an appropriate period of time. (Not sure how long, and I need to look up what AMA stands for when I get back in the office. Automatic Message Accounting, I think. Not positive.)

(m) GCI routinely reviews billing records at customer request, correcting any billing errors as necessary.

3 AAC 52.270. Service interruptions

- (a) GCI has established maintenance windows for routine maintenance to be performed. These windows are opened when disruption to the customer will be minimal. Additionally, GCI staffs technical operations employees in the Regional Centers throughout the State to respond to any outages.
- (b) All GCI central office equipment has battery and generator backup exceeding eight hours capacity.
- (c) GCI has established maintenance windows for routine maintenance to be performed. These windows are opened when disruption to the customer will be minimal.

3 AAC 52.280. Customer reports

- (a) All reported troubles flow through the Integrated Trouble Service desk at GCI. Goals are established to solve the trouble on a "first call resolution". Any troubles that can't be solved over the phone are escalated to a "Tier 1" where a Remedy trouble ticket is opened. Remedy tickets will be tracked to comply.
- (b) Local site agents and technical personnel located in regional centers will respond and comply.
- (c) Local site agents and technical personnel located in regional centers will respond and comply.
- (d) Monitoring equipment will be installed and monitored by a 24X7 Network Operations Center.
- (e) GCI will notify customers through various means including public service announcements, door hangars or other means necessary.
- (f) GCI will use and currently uses scheduling and dispatch information systems (software) to comply.

3 AAC 52.290. Installation service

- (a) Service orders are established for each request for service. GCI tracks the aging of these service orders to comply with the requirement.
- (b) GCI provides single party service to all its customers.

3 AAC 52.310. Switching design standards

- (a) GCI will maintain such records.
- (b)(1)-(4) These are standard switching system design practices. GCI designs routing and translations this way presently, and will continue to do so.

(c) These are standard switching system design practices. GCI designs its switching systems to these standards presently, and will continue to do so.

(d)(1)-(5) These are standard switching system design practices. GCI designs its switching systems to these standards or better presently, and will continue to do so.

(e) GCI designs its switching systems to these standards or better presently, and will continue to do so.

(f) GCI uses standard Telcordia practices in establishing Traffic Engineering criteria.

3 AAC 53.705

(d)(1)(A) All GCI service will be one-party service.

(d)(1)(B) Cable modem service is already available in the communities where GCI is proposing to use HFC to provide local service and the cable modem service will be available throughout cable telephony areas. Cable modem service is available at megabit rates.

(d)(2)(A) All GCI switching systems will have a full suite of custom calling and CLASS features.

(d)(2)(B) E911 will be available in all GCI-served locales.

(e) GCI cable facilities that will be used for cable telephony can provide Cable TV. Cable modem service also provides bandwidth that can transmit video.

(f)(1)(A) E911 will be available in all GCI-served locales.

(f)(1)(B) All GCI service will be one-party service.

(f)(1)(C) Cable modem service is available in conjunction with cable telephony service. Cable modem service is available at megabit rates.

(f)(2) GCI switching systems will be able to provide BRI ISDN (a switched digital service) at 64-128 kEps. Also, cable modem service is available in conjunction with cable telephony service. Cable modem service is available at megabit rates.

(g)(1) GCI provides no party line service

(g)(2)(A) GCI switching systems will be able to provide BRI ISDN at greater rates (64-128 kbps), and cable modem service is available in conjunction with cable telephony service. Cable modem service is available at megabit rates.

(g)(2)(B) transmission and reception of high-bit-rate data at no less than 1 megabit per second; and

Cable modem service is available in conjunction with cable telephony at megabit rates.

(g)(2)(C) GCI cable facilities can provide Cable TV. Cable modem service also provides bandwidth that can depict video.

You have also previously asked for more information regarding the Airspan system for providing WLL. We do not have access to information regarding other instances where Airspan is being used for local exchange service, but we note that most wireless carriers provide fixed service as an adjunct to mobile service and thus escape classification of the service as "local" and regulation by state commission, just as ATT did a few years ago in Anchorage. I have previously forward information showing that Airspan has been approved by the Rural Utilities Services (RUS)

GCI has been using the Airspan system in Anchorage since 2000. Installation was completed in the spring of 2000 and initial testing began in the fall using employees to critique operation of the system. "Real" customers were placed on the system in the first quarter of 2001, first as voice only and later for both voice and data. The system has gone through several versions of software and is currently very stable. There has been only a single failure of an RF card in one shelf over the entire duration of the deployment. The typical customer currently served can expect to have an availability of approximately 99.89%. This number is based on the equipment availability values, a link availability of 99.90%, and a mean time to repair (MTTR) of eight (8) hours.

Jimmy Jackson

From: Jimmy Jackson
Sent: Monday, August 22, 2005 10:29 AM
To: 'Jess'
Subject: FW: Airspan Announces Sale of WipLL 700 MHz Networks to Green Hil...pdf
Attachments: Airspan Announces Sale of WipLL 700 MHz Networks to Green Hil...pdf

Here is some more informaton regarding Airspan

From: Patrick Goodyear
Sent: Monday, August 22, 2005 10:23 AM
To: Jimmy Jackson; Derek Welton
Subject: Airspan Announces Sale of WipLL 700 MHz Networks to Green Hil...pdf

Green Hills Telephone - Breckenridge, MO. www.greenhills.net

Blue Valley Telephone - Home, KS www.bluevalley.net

S&T Telephone - Dighton, Kansas 67839 - www.st-tel.net

Craw-Kan Telephone - Girard, KS www.ckt.net

Rainbow Telephone - Everest, KS www.rainbowtel.net

Mobius Communications - Hemingford, NE www.bbc.net

8/23/2005

**NEWS**

[September 28, 2004]

Business Wire

Airspan Announces Sale of WipLL 700 MHz Networks to Green Hills Telephone and other US Operators via System Integrator Stutler Technologies

BOCA RATON, Fla. --(Business Wire)-- Sept. 28, 2004 -- Airspan Networks, Inc. (Nasdaq:AIRN), a leading worldwide provider of broadband fixed wireless DSL networks, announced today that it has sold its WipLL 700 MHz Broadband Wireless Access systems through Stutler Technologies, its Authorized System Integrator, to Green Hills Telephone, Blue Valley Telephone, S&T Telephone, Craw-Kan Telephone, Rainbow Telephone and Mobius Communications Corporation.

In June 2003, the FCC auctioned licenses at 700 MHz for use in broadband communications initiatives in the United States. The frequencies were being vacated by UHF television operators who were moving their signals to digital TV in other frequencies. Rural telecommunications providers like Green Hills Telephone, Blue Valley Telephone, S&T Telephone, Craw-Kan Telephone, Mobius Communications Corporation, NE Nebraska Telephone and Rainbow Telephone purchased some of these licenses, seeking this low-frequency spectrum to offer wireline-equivalent services to subscribers in rural America by means of wireless access networks. They have now acquired Airspan's WipLL platform to roll out their services in the 700 MHz band to their customers in Missouri, Kansas, and Nebraska. Those customers will receive Broadband Internet access as well as other integrated services such as Voice over IP.

According to Donn Swedenburg, Technology Consultant for RVW Inc., 700 MHz is an ideal frequency for last-mile Broadband Wireless Access. RVW,

which has advised a number of the providers in their selection of the Airspan platform, has been encouraging its clients who own the spectrum to begin deploying systems as soon as possible. "We feel that the reliability, performance and price of Airspan's 700 MHz products provide the best package of features, performance and value available today in broadband multipoint distribution systems," he said.

Dave Kirk, Sales Director for Stutler Technologies, says that Stutler is also very pleased with field deployments of Airspan's WipLL 700 MHz products. Stutler has installed non-line of sight links with WipLL at ranges greater than 18 miles, and the signals have experienced minimal degradation. "This combination of range and NLOS capability, paired with WipLL's low-cost and modular infrastructure, allows spectrum owners like Green Hills, Blue Valley, S&T, Craw-Kan, Rainbow, and Mobius to increase their market penetration for advanced telecommunications services in a very cost-effective manner."

Green Hills Telephone acquired the 700 MHz spectrum to enable it to increase its market area and range of services, according to Chuck Erke, Information Systems Manager for Green Hills. The company has found that the modular base station architecture and high-performance subscriber equipment of Airspan products creates a strong business case for providing advanced broadband services to its customers. The company had no hesitation in choosing a broadband wireless architecture from Airspan that enables it to offer subscribers value-added services such as Voice over IP and Virtual LANs. The company expects to achieve substantial cost savings using Airspan solutions to reach its service areas.

"We are very encouraged by the overwhelmingly positive response the 700 MHz spectrum owners have given us on our product," said Dick Lee, General Manager and Vice President of Airspan's North American Sales group. "These sales reflect the considerable value that our system integrators, of which Stutler Technologies was a pioneer, bring to our business. The speed with which our 700 MHz products have found acceptance among US operators, together with the very successful introduction of our 900 MHz WipLL product line in 2003, is evidence of this value. The integrators have dramatically increased our North American business, and we expect further growth as we continue to add new distribution channels to the market."

About Stutler Technologies

Stutler Technologies, Corp., based out of Emporia, Kansas, is a turn-key systems integrator with services ranging from wireless path analysis to complete backhaul, broadband, and network installation and tower services. Stutler has a strong telephony background and works with telephone operating companies, commercial businesses, cities, schools, and WISPs coast to coast. Stutler Technologies, Corp. has built over 20 Airspan WipLL networks in the last year. More information on Stutler can be found at <http://www.stutler.net>

About Green Hills

Green Hills Companies of Breckenridge, Missouri, provide telephone, long distance, cable TV, and toll-free Internet service to North Central Missouri rural communities. Green Hills plans on using their 700 MHz spectrum to provide commercial grade internet services and potentially dial tone to areas currently not being reached by fiber and copper.

About RVW Inc.

RVW is a professional telecommunications engineering firm that assists ILEC's and CLEC's in adapting technology to both traditional and emerging markets. More information on RVW can be found at <http://www.rvwinc.com>

About Airspan Networks Inc.

Airspan Networks provides wireless voice and data systems and solutions, including Voice Over IP (VoIP), to both licensed and unlicensed operators around the world in frequency bands between 700 MHz and 6 GHz, including both PCS and 3.5GHz international bands. Airspan has a strong product evolution roadmap that includes offerings compliant with the new 802.16-2004 standard, and with built-in 802.16e capability. Airspan is on the Board and a founder member of the WiMAX Forum. The Company has deployments with more than 200 operators in more than 70 countries. Airspan's systems are based on radio technology that delivers excellent area coverage, high security and resistance to fading. Airspan's systems can be deployed rapidly and cost effectively, providing an attractive alternative to traditional wired communications networks. Airspan also offers radio planning, network installation, integration, training and support services to facilitate the deployment and operation of its systems. Airspan is headquartered in Boca Raton, Florida with its main operations center in Uxbridge, United Kingdom.

More information on Airspan can be found at <http://www.airspan.com>

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, including statements regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management, may be deemed to be forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions or negative variations thereof are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Investors and others are therefore cautioned that a variety of factors, including certain risks, may affect our business and cause actual results to

differ materially from those set forth in the forward-looking statements.

These risk factors include, without limitation: (i) a slowdown of expenditures by communication service providers; (ii) increased competition from alternative communication systems; (iii) the failure of our existing or prospective customers to purchase products as projected; (iv) our inability to successfully implement cost reduction or containment programs; (v) a loss of any of our key customers; (vi) our ability to retain the largest existing customer of Nortel Network's fixed wireless business; (vii) our ability to continue to sell the existing inventory of Nortel Network's fixed wireless business on purchase terms and conditions comparable to those currently utilized, and (viii) specific to this press release, Airspan's ability to successfully produce and distribute its product in the 700 MHz frequency; Stutler's ability to deploy the networks sold; and the end-users' ability to sell services on the networks and to pay for the equipment. The Company is also subject to the risks and uncertainties described in its filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2003. You should read those factors as being applicable to all related forward-looking statements wherever they appear in this press release. We do not assume any obligation to update any forward-looking statements.

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Jimmy Jackson

From: Jimmy Jackson
Sent: Monday, August 22, 2005 11:22 AM
To: 'Jess'
Subject: Airspan availability

Jess-

As I indicated earlier, we were hussling to put together the information by this morning. After Gene Strid looked at it, he indicated that we would actually design and install the Airspan system to achieve better availabilty that indicated in my earlier message, so that we would achieve 99.96 availability.

Thanks

Jimmy

8/23/2005



H

EXHIBIT H

1
2 **STATE OF ALASKA**

3 **THE REGULATORY COMMISSION OF ALASKA**

4
5 Before Commissioners:

Kate Giard, Chair
Dave Harbour
Mark K. Johnson
James S. Strandberg
Anthony A. Price

6
7
8 In the Matter of the Commission Review of)
9 Rules and Regulations Governing) R-03-3
10 Telecommunications Rates, Charges Between)
11 Competing Telecommunications Companies, and)
Competition in Telecommunications)

12 **GCI'S REPLY COMMENTS**

13 **I. Introduction**

14 In accordance with Order R-03-3(11), dated April 8, 2005, initial comments on
15 the proposed regulations issued in this matter were filed by AT&T Alascom¹, ACS²,
16 MTA³, the Rural Coalition, and GCI⁴. While some issues remain, all comments
17 indicate a general consensus with the Commission's overall approach.

18
19 GCI hopes that the various reply comments will provide even greater
20 consensus. GCI does not oppose several of the refinements to the regulations
21 requested by ACS, MTA, and the Rural Coalition, even on issues where those parties
22 predicted GCI opposition to such changes. However, GCI must clarify certain
23

24 ¹ Alascom, Inc.

25 ² Alaska Communication Systems

26 ³ Matanuska Telephone Association, Inc.

⁴ GCI Communication Corp. d/b/a General Communication, Inc and d/b/a GCI

1 distortions of the record introduced by MTA and the Rural Coalition to support the
2 proposed refinements.
3

4 GCI does oppose some of the changes proposed by other parties. Most
5 significantly, the Rural Coalition proposed amendments to the regulation on rate
6 rebalancing that would have the effect of selecting the Rural Coalition's approach to
7 rate rebalancing over the case-by-case adjudication favored by the Commission. The
8 Rural Coalition's comments do not include any discussion of their drastic changes,
9 but the amendments' appears in the Rural Coalition's proposed regulatory language.
10

11 It appears that the final regulations adopted in this matter will include virtually
12 all of the provisions that the rural incumbent local exchange carriers (ILECs) stated
13 that they need in order to respond to competitive entry. Therefore, the ILECs should
14 not then be allowed to also thwart competitive entry, as they are attempting to do in
15 Docket R-05-4. Nor should the Commission consider any new provisions to thwart
16 competitive entry that the ILECs may raise, for the first time, in reply comments.
17

18 II. Discussion

19 A. Provisions regarding local exchange markets

20 1. Proposed 220(a) and 299(10), Dominant status in rural markets and the 21 definition of competitive local exchange market.

22 ACS, the Rural Coalition, and MTA each argued that the "shortcut" to non-
23 dominant status in rural areas allowed by 3 AAC 53.220(a) should apply in all areas
24 served by a rural telephone company, regardless of whether or not the rural telephone
25

1
2 company holds a rural exemption. As a practical matter, GCI agrees and GCI does
3 not object to changing "a telephone company holding a rural exemption" to "a rural
4 telephone company as defined by 47 U.S.C. Section 153(37)"⁵

5 ACS and MTA also each proposed expanding the same "shortcut" to apply
6 when competitive entry takes place by wireless local loop rather than by wireline
7 facilities. Again, GCI agrees. However, GCI would go further and allow the shortcut
8 to apply in the event of any type of competitive, facilities-based entry by a certificated
9 competitor. Thus, the lesser standard for non-dominance would apply if a competitor
10 with some facilities entered primarily using unbundled network elements from the
11 incumbent local exchange carrier (ILEC).⁶

12
13 Incorporating these two changes, 3 AAC 53.220(1)(1) would read:

14
15 (1) in an exchange served by a rural telephone company as defined by
16 47 U.S.C. Section 153(37) and where a second certificated facilities
based local exchange carrier offers service to the public.

17
18 ACS, MTA, and the Rural Coalition also each proposed a modification to 3
19 AAC 53.299(10) so that an area would be deemed a "competitive local exchange
20 market" even if a second certificated carrier is not actually providing service
21 "throughout" the exchange. As explained by their comments, this modification is
22 needed to deal with the situation where GCI's competitive entry may not serve 100%

23
24
25 ⁵ GCI does not believe that it would have been appropriate, at the outset, to apply the lesser standard for non-
dominance in Fairbanks and Juneau. However, current conditions support the treatment of those markets as
nondominant now, so the theoretical harm of bringing those areas within 3 AAC 220(a) is moot.

26 ⁶ According to FCC decisions, a carrier that owns some facilities and also uses UNE's is "facilities based."

1 of the customers within an exchange area. Once again, GCI agrees that the regulation
2 should be modified to address this situation and that "throughout" is not the proper
3 term.
4

5 Although GCI agrees that requiring facilities-based competitive service
6 "throughout" the exchange before the market is deemed competitive is overly
7 restrictive, a market should not be deemed competitive upon mere certification.
8 Certification may precede provision of service by a substantial period of time, and
9 some restriction based on the concept of actually being able to provide service to
10 more than a trivial number of customers should be incorporated into the regulation.
11

12 GCI suggests:

13 "Competitive local exchange market" means a local exchange or group
14 of local exchanges within one certificated service area where multiple
15 telecommunications providers are certificated to provide local exchange
16 service and offer to provide local exchange service to at least a
17 significant portion of the customers in the exchange or group of
18 exchanges;....

19 This language would **not** require any loss of market share by the incumbent, but
20 would require that a competitive option exist for some significant portion of the
21 market.

22 GCI's support for this approach is coupled with its proposal in initial
23 comments to protect those customers within the competitive market who do not have
24 a competitive choice. That proposal would prevent the ILEC from targeting such
25 captive customers with rate increases without providing full cost support and, GCI
26

1
2 hopes, that proposal would provide such captive customers with the benefits of
3 competition. Based on their initial comments, MTA and the Rural Coalition appear
4 to agree with that proposal. Both MTA and the Rural Coalition state that they wish to
5 serve the entire exchange with the same tariff, without differentiating between those
6 that have a competitive choice and those that don't. (Rural Coalition Comments, p.
7 14; MTA Comments, p. 9) That is the consistent with the intent of the proposal
8 presented in GCI's initial comments, and it should be made explicit in the regulations.
9

10 As should be clear from the foregoing, GCI is not attempting to restrict the
11 ability of any of the rural ILECs to compete against GCI. However, even though GCI
12 accepts the proposed refinements of the proposed regulations, GCI strenuously
13 disagrees with some of the advocacy and distortion of the record presented by other
14 parties.
15

16 First, it is absolutely untrue that GCI agreed that under current regulations the
17 Commission has treated GCI and ASC differently for rate decreases and repackaged
18 services, suspending ACS's tariff filings while allowing GCI's filings to go into
19 effect. (ACS Comments, p. 4; MTA Comments, p. 3). GCI has already corrected the
20 Rural Coalitions mis-statement once on this issue.⁷ What GCI said was that the
21 Commission did not allow either carrier's tariff changes to go into effect without
22
23
24

25 ⁷ The Rural Coalition previously made the same incorrect claim regarding GCI's statements, and GCI has
26 already pointed out the Rural Coalition's misunderstanding. (GCI's Post Hearing Reply Comments, R-03-3, pp.
12-13). Repetition of the distortion a second time goes beyond the bounds of fair and acceptable advocacy.

1 approval, contrary to the intent of the regulations that have previously been in effect
2 in competitive markets.
3

4 Perhaps more importantly, GCI adamantly disagrees with MTA and the Rural
5 Coalition's unsupported statements regarding the severe financial harm that they will
6 suffer from small losses in market share. MTA and the Rural Coalition filed
7 absolutely no supporting analytical or quantitative data. GCI, on the other hand,
8 previously filed quantitative analysis showing that the present access charge and
9 universal service systems provide rural ILECs with significant insulation from the
10 effects of market share loss.⁸ The Rural Coalition offered did not effectively rebut
11 GCI's analysis; its primary point was that GCI had looked at the "total company"
12 rather than just local exchange operations. That criticism is factually correct but
13 logically irrelevant. When evaluating whether market share losses threaten the
14 financial viability of these ILECs, the impact on the total company results is the
15 proper test.
16

17 Furthermore, these ILECs have significant control over the losses that they will
18 incur from competitive entry. The 50% market share loss of ACS in Anchorage
19 frequently cited by the Rural Coalition was the direct result of ACS's 25% rate
20 increase in a competitive market. Other ILECs are not likely to repeat ACS' strategic
21 error.
22
23
24

25 ⁸ See GCI's Post Hearing Comments, pp. 8-9 and Exhibit A (July 6, 2004). GCI's model showed that a 40%
26 loss in market share by CVTC would cause less than 1% loss in total revenues!

1
2 Additionally, these ILECs could also reduce the financial impact of market
3 share losses by voluntarily entering into an agreement to provide GCI unbundled
4 network elements, wholesale resale, and quality service at rates that are more
5 favorable than GCI's cost of providing service over its own facilities.⁹ These ILECs
6 previously testified to the Commission that UNE-based entry is actually better for the
7 ILEC than full facilities based entry because the ILEC continues to receive revenues
8 from UNEs and resale. (Rural Coalition Reply Comments, R-03-3, (February 24,
9 2004)) Those statements were made when the ILECs' focus in R-03-3 was on
10 controlling wireless competition. Now, without explaining the change in their
11 position, the ILECs are fighting UNE-based entry with all the regulatory tools they
12 can muster, forcing GCI to build its own facilities.
13

14 Other options are also open to the ILECs. The current ILEC market structure,
15 with approximately 20 different ILECs, each with its own high-paid executives and
16 duplicative staff and operating overhead, is probably not efficient. Consolidation may
17 be appropriate and in the public interest, with or without local exchange competition.
18 The ILECs could save substantial costs, better serve their customers, and better meet
19 competition with such consolidation.
20

21 Ignoring all of these options, the ILECs' comments focus on the possibility of
22 bankruptcy from competition. This "sky is falling" approach is really nothing more
23
24
25

26 ⁹ Any such agreement would have to be reached before GCI makes investments in facilities based entry.